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‘CHINESE ASSESSMENTS OF THE INTERNATIONAL SITUATION’

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China’s largest and government-funded think-tank, the Chinese Academy of Social Sciences (CASS) and among the most influential, the Chinese Institutes of Contemporary International Relations (CICIR) of China’s Ministry of State Security, or foreign Intelligence establishment, published reports in May 2020 assessing the international situation. These presented the assessments of CASS President Xie Fuzhan and CICIR President Yuan Peng. Another assessment, which additionally listed precautionary steps that China should take, was published on June 29, 2020, by Zhou Li, former Deputy Minister of the Chinese Communist Party (CCP) Central Committee (CC)’s International Liaison Department (ILD) now called the International Department. Yuan Peng and Zhou Li’s assessments had higher political content, but Zhou Li’s was particularly pointed.

2. Prior to his appointment in March 2018 as President of CASS, Xie Fuzhan was Party Secretary of Henan Province. He has been a visiting scholar at the Economics Department of Princeton University and then completed executive programmes at the John F. Kennedy School of Government at Harvard University and another at the Judge Business School of the University of Cambridge. He is a full member of the Chinese Communist Party (CCP)’s 19th Central Committee and was also a member of the 18th Central Committee.

3. Observing that because of the global economic slowdown and intensified competition among major countries in 2019, the stability of international security strategies has declined, Xie Fuzhan focussed on the Covid-19 pandemic describing it as now the most uncertain factor in analysing and judging the international situation. Fuelled by the pandemic, he said, various risks in the world economy have surfaced and continue to accumulate. The capital market is turbulent, crude oil prices have fallen sharply, and the world economy has contracted significantly.

4. Xie Fuzhan said new factors of instability have surfaced in relations among major countries in international politics. In a bid to deflect the blame, he said in order to escape responsibility for poor epidemic prevention and control and to safeguard the political interests of certain individuals or groups, politicians in some countries have politicized the fight against the COVID-19 pandemic. He accused them of making remarks that violate generally accepted moral standards and basic scientific common sense, “creating lies, panic, discrimination and prejudice” and casting a “new shadow on the stable development of international relations”. Stating that the geopolitics has evolved and the international political system has been deeply transformed, he asserted that traditional and non-traditional security threats are intertwined, and national security faces unprecedented challenges.

5. Referring to China's Belt and Road Initiative (BRI), he acknowledged that it had been "greatly" impacted by COVID-19, but that despite this BRI cooperation still shows strong resilience and China's trade and investment with the countries and regions along the route is growing despite the pandemic. He claimed the pandemic has brought opportunities for the high-quality advancement of the Health Silk Road and for the new Innovation Silk Road. He said while the pandemic has had a major impact on traditional industries, it has simultaneously accelerated the application of new technologies, such as online technology, 5G, artificial intelligence and big data, thereby creating opportunities for innovative emerging industries to expand to countries and regions along the BRI.

6. A Foreign Policy (July 6, 2020) article elaborated on the impact of Covid-19 on BRI with substantiating data. Citing a report by Gavekal Dragonomics it said the value of new projects spread across 61 countries involved in the BRI dropped 13 per cent to US\$ 126 billion in 2018 compared to the previous year, with the figure falling a further 6.7 per cent in the period up to August 2019. Existing contracts also dropped 4.2 per cent over the first eight months of 2019. China, according to the report, committed to making only two Belt and Road Initiative-related loans over US\$1 billion in the first half of 2019 -- US\$1.2 billion to Egypt and US\$2.5 billion to Pakistan. Overall, according to the China Global Investment Tracker from the American Enterprise Institute, China made 46 loans of over US\$1 billion for overseas investment projects in 2016, with that figure dropping to 28 last year.

7. CICIR President Yuan Peng assessed that the international environment in 2020, which has seen "sudden" and "perplexing" changes, will be a worrisome year. He explained that in political rather than academic terms he sees the world as "going through changes unseen in centuries, but also coinciding with the grand rejuvenation of the Chinese nation after 100 years of humiliation". Illustrating a few of the changes, he pointed out that "developing countries represented by China have achieved peaceful rise independently without benefitting from colonial expansion and waging foreign wars, which is epoch-making. In this manner China has achieved its rise, while the West finds it rather hard to cope with." He added that regardless of whether the US takes recourse to a hot or cold war it cannot stop China but, importantly, that "it is almost impossible for China to achieve national rejuvenation outside the US-dominant system".

8. He identified economic globalisation, political multi-polarisation, IT application, cultural diversification and threat diversification, S&T revolution, impact of the digital age and social media as among the "great changes". Yuan Peng observed also that at a time the "established international system is collapsing and while the new world order is yet to emerge", China is approaching political centre stage. Saying "great changes call for grand vision", Yuan Peng emphasised that China is in "presently the best period of its modern history". He justified anti-corruption, poverty alleviation, in-depth reform, the BRI and modernisation of governance as essential responses to the "great changes unseen in a century" although they will impose economic burdens. He called for pursuit of the socialist system with Chinese characteristics and leadership of the Chinese Communist Party. He declared "the East is rising and the West is falling, the South is ascending and the North is descending" while stressing that strategic confidence and willpower are essential prerequisites for China achieving its 'Two Centenary' goals.

9. 1955-born Zhou Li, a former career diplomat who is presently senior researcher at the Chongyang Institute of Financial Research of Renmin University and Director of the China-Russia Humanities Exchange Research Center, observed that the Covid-19 pandemic had caused suffering and economic difficulties around the world and that unstable and uncertain factors have increased significantly. He asserted that “under the leadership of the General Secretary, we have made arduous efforts throughout the country and made tremendous sacrifices”, but there are new difficulties and challenges in resuming production and economic and social development. He said the Party Central Committee demands that leading cadres at all levels “should adhere to the bottom line thinking and make a long-term ideological preparation and work preparation for responding to changes in the external environment.”

10. Zhou Li listed the following six measures that China could take to respond to the changes in the international environment:

- i) China must prepare for the deterioration and “full escalation of the struggle” in Sino-US relations. Enumerating the string of punitive actions taken till now by the Trump Administration, he anticipated that many more would follow. He said it will be realistic to understand that “decoupling” is ultimately inevitable and that the “difficulties and challenges China will face will be unprecedentedly complex and unprecedentedly severe” as “the US ruling authorities continue to impose progressive and omni-directional, multi-disciplinary crackdowns” on China. At present, it is especially necessary to guard against the risk of the US pursuing claims against China.
- ii) China must prepare to cope with shrinking external demand and disruption of the industrial and supply chains as, in the wake of the epidemic, most countries have had to adopt measures such as “closure of cities” and “shutdown”, resulting in a sharp decline in the demand for various intermediate and consumer products. The orders of China’s foreign trade export enterprises have been greatly reduced, production of upstream and downstream enterprises has stalled and international transportation logistics have been blocked. The unavailability of raw materials and unsuccessful delivery of products has caused tremendous pressure on China’s growth and employment. He said China should actively adapt to the situation and adjust the global industrial chain and supply chain and develop a fixed chain, supplementary chain, and strong chain. Domestic development should be accelerated and more infrastructure projects within China promoted. China will need to participate in international cooperation and competition under the “new situation”.
- iii) China should expect it will take a long time to normalise post- the new coronavirus epidemic and must anticipate the long-term coexistence of the virus and humans. He observed there are still many uncertainties about whether the epidemic can be effectively controlled and vaccine development is still underway. Therefore, China must remain fully mobilised at all levels with reserves of anti-epidemic materials, medical support, and clean up and reorganize food wholesale markets in large and medium-sized cities to eliminate possible sources of infection. He stressed the imperative of rationalising the medical and health system, reforming disease prevention and control systems, improving the capacity of epidemic monitoring

- and early warning and improving public health emergency laws and regulations and public health emergency management and treatment systems.
- iv) China must make preparations for getting rid of the dollar hegemony and gradually decoupling the renminbi from the dollar. The US's international monopoly on the US dollar will threaten China's next steps and become increasingly more serious. He identified two problems namely, the shrinking value of US dollar assets as the US Administration prints more dollar bills diminishing their value, and the United States' control over the Global Interbank Financial Telecommunications Association (SWIFT), which makes international settlement and transactions more difficult as the United States continues to impose economic sanctions on Russia, Iran and countries with energy cooperation with China. He urged China to accelerate the pace of renminbi internationalization, accelerate the promotion of larger-scale renminbi cross-border payments and renminbi clearing arrangements, establish local currency settlement mechanisms with more countries, and create conditions to maximize their use in the world.
- v) Anticipating that global food production will be reduced by 30% this year and further impacted by the pandemic and disruption in the supply, demand and circulation area of the grain market, he said China must prepare for the global food crisis. He assessed that major food-producing countries are faced with a large-scale harvest failure due to various factors. Stating that the prices of major grains such as corn, soybeans and wheat have risen by 30% to 50% and international speculative capital has exacerbated the rise in food prices, he said many countries have launched grain inventory plans, suspended exports or formulated grain export quotas, and strengthened control of the grain market. Food shortages and the food crisis will cause social unrest in more countries thereby accentuating the uncertainties of world economic development. China is the world's largest importer of soybeans and will be directly affected. It must take necessary measures to step up food production, increase policy support and subsidies for grain production, improve the grain reserve control system and emergency management mechanism, promote international cooperation in agriculture and the effective operation of the global agricultural and food supply chain, and jointly maintain international trade and market order.
- vi) China must prepare for the resurgence of international terrorism. Because of the epidemic, many multilateral anti-terrorism mechanism meetings have been postponed or cancelled and the international anti-terrorism cooperation process has been interrupted. International terrorist extremist forces have at the same time turned more actively towards the Internet to promote Islamic extreme religious ideas, anti-China speeches to incite anti-China hatred, instigate and plan terrorist attacks and even launch biochemical attacks. He claimed some forces actually cooperated with the United States to stigmatize China on the source of the virus, and attacked and discredited it on issues concerning Xinjiang. Asserting that terrorism is the common enemy of mankind, Zhou Li said China must continue to strengthen international counter-terrorism cooperation, especially in the Shanghai Cooperation Organization, BRICS countries, ASEAN Regional Forum, and the "Global Counter-Terrorism Forum".

11. In addition to all the assessments underscoring the importance of good relations with the US for China, a couple of other threads also run through them. These assert that a very high degree of uncertainty and instability can be expected in the coming year and that the adverse impact of the Covid-19 pandemic will stay for a considerable length of time. CASS President Xie Fuzhan also referred to the difficulties confronting China's 'One Belt, One Road', or Belt and Road Initiative, while Zhou Li recommended focussing on infrastructure projects inside China thereby implying reduction in expenditures on BRI. Interestingly, during his recent (July 6-7, 2020) visit to Guizhou province, Chinese Premier Li Keqiang advocated promoting domestic infrastructure construction. It is apparent that China's leadership is preparing for tough times ahead.

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